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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, OCTOBER 31, 2001

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

v.

CASE NO. INS010264

SUPERIOR INSURANCE COMPANY,

Defendant

RULE TO SHOW CAUSE

WHEREAS, for the reasons stated in an order entered herein October 9, 2001, Defendant was ordered to take notice that the Commission would enter an order subsequent to October 19, 2001, suspending the license of Defendant to transact the business of insurance in the Commonwealth of Virginia unless on or before October 19, 2001, Defendant filed with the Clerk of the Commission a request for a hearing before the Commission to contest the proposed suspension of Defendant's license; and

WHEREAS, Defendant filed a timely request for a hearing;

THEREFORE, IT IS ORDERED THAT:

(1) Defendant appear before the Commission's Hearing Examiner, who is hereby appointed to conduct a hearing on behalf of the Commission pursuant to the authority granted the Commission in § 12.1-31 of the Code of Virginia, in the

Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia, at 10:00 a.m. on November 29, 2001, and show cause, if any, why the Commission should not suspend Defendant's license to transact the business of insurance in the Commonwealth of Virginia pursuant to §§ 38.2-1038 and 38.2-1040 A 3 of the Code of Virginia for the reason that Defendant is in a condition that any further transaction of business in this Commonwealth is hazardous to its policyholders, creditors, and the public in this Commonwealth.

(2) In accordance with § 12.1-31 of the Code of Virginia and Rule 7:1 of the Commission's Rules of Practice and Procedure, such Hearing Examiner shall conduct all further proceedings in this matter on behalf of the Commission, concluding with the filing of the Hearing Examiner's final report to the Commission. In the discharge of such duties, the Hearing Examiner shall exercise all the inquisitorial powers possessed by the Commission, including, but not limited to, the power to administer oaths, require the appearance of witnesses and parties and the production of documents, schedule and conduct pre-hearing conferences, admit or exclude evidence, grant or deny continuances, and rule on motions, matters of law, and procedural questions. Any party objecting to any ruling or action of the Hearing Examiner shall make known its objection with reasonable certainty at the time of the ruling, and may

argue such objections to the Commission as part of its comments to the final report of the Hearing Examiner; provided, however, if any ruling by the Hearing Examiner denies further participation by any party in interest in a proceeding not thereby concluded, such party shall have the right to file a written motion with the Hearing Examiner for his immediate certification of such ruling to the Commission for its consideration. Pending resolution by the Commission of any ruling so certified, the Hearing Examiner shall retain procedural control of the proceeding;

(3) The Hearing Examiner shall cause the testimony taken at such hearing to be reduced to writing and promptly deliver his written findings and recommendations together with the transcript of the hearing to the Commission for its consideration and judgment; and

(4) Defendant shall be in default in the event of failure to make an appearance at the hearing. Upon such default, Defendant waives all objections to the admissibility of evidence and may have entered against Defendant a judgment by default, including, but not limited to, an order imposing a suspension of Defendant's license as set forth in ordering paragraph (1) above.